

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (7/14)
BUTTER: Grade AA closed at \$1.1450. The weekly average for Grade AA is \$1.1470 (-.0055).

CHEESE: Barrels closed at \$1.1200 and blocks at \$1.1600. The weekly average for barrels is \$1.1300 (-.0292) and blocks, \$1.1600 (-.0050).

BUTTER: The cash butter market is generally steady although the price continues to adjust higher and lower within a narrow range. Churning activity across the country is trending lower as cream supplies become less available. Declining milk production, lower butterfat levels in milk, and strong Class II cream demand are a few of the factors limiting cream volumes for churning. Butter stocks continue to run heavier than last year. Producers and handlers anticipate that stocks, coupled with new production, should be sufficient for the balance of the year without prices spiking. Current butter demand is fair at best. Traders and handlers state that sales are typical for this time of the season, although lower cash prices are stimulating retail features in some areas of the country.

CHEESE: The cheese market is unsettled to weak. Current interest is often lighter as buyers work down inventory as a reaction to price declines at the Chicago Mercantile Exchange cash cheese market. However, forecasts for elevated temperatures through much of the country are likely to reduce milk receipts and Florida is again importing milk to fill fluid needs. These factors are regarded by the trade as positive for the future. Current offerings remain adequate to ample for most regular varieties. Buyers are generally able to acquire supplies as needed though lead times remain steady for orders. Current cheese production is steady to lower.

FLUID MILK: Hot and rainy weather throughout the country is deterring milk production. Despite production declines, milk production appears to be trending above volumes reported last year, particularly in areas of the Northeast and Southwest. Milk is deficient in Florida, encouraging imports to the region for the first time since late January. Current and expected hot weather is affecting hay and feed grain crop yields which might have a significant impact on milk output later in the year. Class I interest is light, encouraging milk movement into manufacture. The condensed skim market is steady. Cream supplies are tighter and multiplies are trending higher.

DRY PRODUCTS: Dry product prices are generally trending steady to higher. Although NDM stocks are in better balance, sales to the CCC are noted for the current week. Limited supply availability at some locations is encouraging NDM and buttermilk prices higher. Some sellers are holding buttermilk stocks with confidence as the market trends significantly higher. Whey prices are unchanged. Whey supplies are reportedly in good balance

with demand. WPC prices are slightly higher. Lactose supplies are short of buyer interest. Spot trade of lactose is reportedly as high as 39 cents.

CCC: During the week of July 10 - 14, CCC purchased 721,605 pounds of NDM with 208,176 pounds sourced from the Central and 513,429 pounds sourced from the West.

JULY SUPPLY AND DEMAND ESTIMATES (WASDE): The milk production forecast for 2006 is raised slightly from last month, but the 2007 forecast is unchanged. Milk cow numbers and milk per cow forecasts for 2006 are raised fractionally. Higher forecast milk production and relatively large dairy product supplies are expected to pressure prices. Cheese, butter, and nonfat dry milk (NDM) price forecasts are reduced, but demand for whey remains strong. The Class III price forecast for 2006 is raised from last month as higher whey prices more than offset a slightly weaker cheese forecast. The Class IV price forecast is reduced slightly due to lower butter and NDM prices. The all milk price for 2006 is increased to \$12.50-\$12.80. The forecasts for 2007 Class III prices are raised due to higher whey prices, but the Class IV and the all milk price forecasts for 2007 are unchanged.

COMMERCIAL DISAPPEARANCE (ERS, AMS): Commercial disappearance of dairy products during the February-April of 2006 totals 4.4 billion pounds, 3.9% above the same period in 2005 on a daily average basis. Comparing disappearance levels with year earlier levels: butter is +17.1%; American cheese, +6.5%; other cheese, -0.9%; NDM, -2.2%; and fluid milk products, +0.2%.

APRIL MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS (DAIRY PROGRAMS): In April 2006, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$11.92, \$0.72 less than the figure for the previous month. The component tests of producer milk in April 2006 were: butterfat, 3.68%; protein, 3.02%; and other solids, 5.72%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas, and ranged from \$14.81 in Florida to \$10.10 in New Mexico. In April 2005, the Federal milk order all-area average mailbox price was \$14.97, \$3.05 higher.

MAY FLUID MILK SALES (AMS & CDIB): During May, about 4.7 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 4.2% higher than May 2005. After adjusting for calendar composition, sales in May 2006 were 2.1% higher than May 2005. On an individual product basis, after adjusting for calendar composition, sales of reduced fat (2%) milk, low fat milk (1%), fat-free (skim) milk, flavored fat-reduced milk, and buttermilk increased from May 2005, while sales of whole milk and flavored whole milk decreased from a year earlier. Sales data for organic milk are now being provided.

****SPECIALS THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
 CASH TRADING**

PRODUCT	MONDAY JULY 10	TUESDAY JULY 11	WEDNESDAY JULY 12	THURSDAY JULY 13	FRIDAY JULY 14	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.1400 (-.0100)	\$1.1300 (-.0100)	\$1.1300 (N.C.)	\$1.1300 (N.C.)	\$1.1200 (-.0100)	(-.0300)	\$1.1300 (-.0292)
40# BLOCKS	\$1.1600 (N.C.)	\$1.1600 (N.C.)	\$1.1600 (N.C.)	\$1.1600 (N.C.)	\$1.1600 (N.C.)	(N.C.)	\$1.1600 (-.0050)
BUTTER GRADE AA	\$1.1475 (-.0050)	\$1.1475 (N.C.)	\$1.1500 (+.0025)	\$1.1450 (-.0050)	\$1.1450 (N.C.)	(-.0075)	\$1.1470 (-.0055)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM NOTE: CME NDM on Page 2.

CHICAGO MERCANTILE EXCHANGE

MONDAY, JULY 10, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1400
 BUTTER — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 5 CARS GRADE AA: 1 @ \$1.1475, 4 @ \$1.1525

TUESDAY, JULY 11, 2006

CHEESE — SALES: 2 CARS 40# BLOCKS: 1 @ \$1.1575, 1 @ \$1.1600; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.1300, 1 @ \$1.1375
 BUTTER — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, JULY 12, 2006

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.1600; BIDS UNFILLED: 1 CAR BARRELS @ \$1.1200; 1 CAR 40# BLOCKS @ \$1.1575; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1300
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.1500; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

THURSDAY, JULY 13, 2006

CHEESE — SALES: 2 CARS BARRELS: 1 @ \$1.1325, 1 @ \$1.1300; 2 CARS 40# BLOCKS: 1 @ \$1.1625, 1 @ \$1.1600; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1350; 1 CAR 40# BLOCKS @ \$1.1625
 BUTTER — SALES: 2 CARS GRADE AA: 1 @ \$1.1475, 1 @ \$1.1500; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.1450

FRIDAY, JULY 14, 2006

CHEESE — SALES: 3 CARS BARRELS @ \$1.1200; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1200
 BUTTER — SALES: NONE; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.1200; OFFERS UNCOVERED: NONE

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.8700 and Grade A at \$0.8700. (The last price change for Extra Grade and Grade A was on June 27, 2006.) The weekly average for Extra Grade is \$0.8700 (N.C.) and Grade A is \$0.8700 (N.C.).

BUTTER MARKETS

NORTHEAST

The butter market remains weak as the cash price slipped to the lowest level since mid-April of \$1.1475 early in the week. Cream volumes for churning are becoming less available as Class II demand remains active. Churning activity is trending lower, but most producers and handlers are not overly concerned as continued lighter production and good inventory levels are sufficient to fulfill current needs. Demand is typically fair for this time of summer. Retail orders are seasonally fair spurred by occasional feature activity while food service orders are slightly heavier as buyers replace depleted volumes from the 4th of July holiday period. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

CENTRAL

The butter market is generally steady, although the cash price at the CME increased fractionally at mid-week to \$1.1500. Butter producers and handlers indicate that cream supplies have tightened. Some butter producers continue to sell some of their cream supply versus churn. Although churning is lower, stocks of butter continue to run above last year levels. Most producers are comfortable with current production schedules. Butter demand is seasonally fair. Some buyers have

returned to the marketplace following the 4th of July holiday while others are still absent. Retail orders are typical for this time of the summer with food service needs steady. Occasional feature activity is being reported at retail, but lighter than in previous weeks. Bulk butter for spot sale is being reported in the flat – 2 cents per pound over various pricing basis.

WEST

Butter prices are trading in a tight range at the CME, closing at \$1.1500, down a fraction of a cent from last week. There are concerns that deliveries on the futures contracts could show up on the CME cash market and pressure pricing levels. That has not happened yet. Western churning schedules are trending lower as less milk and cream are available as summertime conditions prevail. There are fewer loads of surplus cream being offered. Cream pricing levels have firmed slightly. Retail pricing and movement have been steady in recent weeks. Some features are noted in the region, but demand remains on the light side. Food service accounts are moving projected volumes with resort and vacation areas doing well. Butter stocks at CME warehouses for the week ending July 1 were 468,000 pounds lower at 155.3 million pounds. (Data for July 8 was not available.) This compares to 98.5 million pounds a year earlier. Prices for bulk butter range from 2 cents under to 5 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
JULY 8	1.1789	1.1725	0.8229	1.1291	0.2781
	8,335,015	9,367,917	22,566,283	2,081,668	9,675,573

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

NORTHEAST

CHEESE MARKETS

WEST

Wholesale prices are lower, reflecting recent weakness on the Chicago Mercantile Exchange cash cheese market. Current cheese demand is often slower as buyers hold back waiting for any additional weakness to reorder. Current offerings are more than adequate to meet the mostly moderate interest. Cheese production remains seasonally active as milk volumes are generally holding up stronger than expected in most producing areas.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.2500-1.7700
Cheddar Single Daisies	:	1.2075-1.6925
Cheddar 40# Block	:	1.3050-1.5800
Process 5# Loaf	:	1.3700-1.6150
Process 5# Sliced	:	1.3900-1.7000
Muenster	:	1.3225-1.5225
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is unsettled to weak. Current interest is often lighter as buyers work down inventory as a reaction to recent price declines at the Chicago Mercantile Exchange cash cheese market. Other buyers are making smaller or less frequent orders to maintain inventory, not increase it. A few reports indicate additional promotions are being prepared, but fewer seem to be for the immediate term. Lead times on most bulk cheese orders are about normal. Offerings of mozzarella and cheddar ARE generally at least adequate. Pepper Jack and Colby/jack interest remains solid. Process interest is steady to occasionally lighter. Some packagers and processors are preparing previously contracted government orders for school lunch and other programs. Cheese production remains seasonally active as generally favorable conditions for milk production continue in many northern areas. Some other locations are showing both declines in milk receipts and offerings from outside sources. Continued heat has affected milk receipts more appreciably further south. Cheese yields continue to trend lower seasonally.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.4300-1.6075
Brick And/Or Muenster 5#	:	1.6500-1.7225
Cheddar 40# Block	:	1.5200-2.2650
Monterey Jack 10#	:	1.6500-2.2650
Blue 5#	:	2.0275-2.3300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.3525-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.1550-2.8300

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE

07/10/06	52,619	:	135,224
07/01/06	52,817	:	139,697
CHANGE	-198	:	-4,473
% CHANGE	N.C.	:	-3

Supplies of both block and barrel cheese remains heavy and are holding the cheese market weaker. There are ample supplies for nearby needs. Trade characterizations of the markets are that demand is fair to good. The lower prices for cheese may be spurring some additional buying interest with the downward risk calculated. Several producers noted better sales this week compared to recent weeks. The holiday period was also a likely factor. Freight costs to other regions in the U.S. remains a big issue in moving cheese. Undergrades are in good inventory shape and discounts are not aggressive. There are current and frozen offerings of mozzarella being shown. The market is a little long and expected to remain slow. Pizza interest has slowed down during the summer. Swiss sales remain good. Commitments are in place for food service accounts using more Swiss in sandwiches and preparations. Current supplies are in tight balance and shipping schedules are tight after meeting aging requirements.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.3125-1.5700
Cheddar 40# Block	:	1.2825-1.6350
Cheddar 10# Cuts	:	1.4625-1.6825
Monterey Jack 10#	:	1.4725-1.6325
Grade A Swiss Cuts 6 - 9#	:	2.3500-2.7000

FOREIGN

Domestic prices are lower with imported prices unchanged. Stocks are at least adequate for needs. Demand is at typically lighter summer levels.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.3500	: 1.5700-3.0575*
Gorgonzola	: 3.6900-5.9400	: 2.0725-2.4900*
Parmesan (Italy)	: TFEWR	: 2.9775-3.0825*
Romano (Italy)	: 2.1000-3.1900	: -0-
Provolone (Italy)	: 3.4400-6.0900	: 1.5625-1.8000*
Romano (Cows Milk)	: -0-	: 2.7600-4.9025*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 3.1200-4.1500	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: TFEWR	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	14	0	0	6	0	119
SOUTHEAST STATES	0	0	0	0	0	0

Milk production in the Eastern part of the country continues to decline as high temperatures and humidity levels negatively impact milk output. Although milk production is declining in most regions, milk handlers, especially in the Northeast, indicate that milk volumes remain heavy. In parts of the Middle Atlantic region that were impacted by heavy rainfall and flooding a few weeks ago, milk output is recovering from the distressed situation at that time. Some milk handlers indicate that, in instances, milk volumes are slightly higher than before the rainy period. Milk production is declining in most all areas of the Southeast with some handlers in Florida indicating milk production is not keeping pace with needs. In Florida, milk handlers imported 14 loads of milk to supplement local output. These are the first imports into the state since late January and a few weeks earlier than last year. Milk handlers feel that this will be the start of regular imports into the state. Bottlers indicate that school bottling pipelines in Florida will be filling in a week or so as some schools resume classes by the end of the month. More students will return to classes in early August, thus Florida bottling pipelines will be basically filled prior to other areas of the South needing additional milk volumes for bottling. Some additional milk is already moving into the Southeast which will help ease the typical hectic transition period. The condensed skim market is holding steady at unchanged prices. Cream markets are firm as demand increased, especially from Class II buyers. Ice cream production is seasonally strong as summer temperatures and vacationers spur demand. Some cream buyers are seeking additional cream volumes as their sources are not able to fill their needs.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.5559-1.6711
DELIVERED EQUIVALENT: ATLANTA	-	1.5789-1.7172 M 1.5904-1.6826
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.4755-1.6107

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices	-	.9000-.9700
NORTHEAST - CLASS III - SPOT PRICES	-	.8900-.9500

M I D W E S T

The fluid market remains at light summer levels with the usual stronger sales where retail features are underway. Some food service accounts serving resort areas have also had better sales in recent weeks. Bottlers report no problems in acquiring an extra load or two of fluid to fill extra orders from regular suppliers. Manufacturing milk interest is still sluggish with offerings readily available in most areas. In the northeast part of the region, volumes of milk sent to cheese plants have slowed since the holiday. Reported spot manufacturing milk prices range from around +\$.50 to \$1.30, net seller. One upper tier milk handler reported having again contracted to ship milk into the Southeast to supplement local supplies though none were shipped. Demand for cream remains strong, though some ice cream operations are operating on lighter schedules than before the holiday. Makers are concentrating on frozen products in the tightest supply and working down inventory. Churning levels remain light with some producers concentrating on making

unsalted butter and tempering frozen salted stocks for filling other print orders. Some cream buyers are trying to set up orders for next week, under the belief that forecasts of several days of 90+ temperatures throughout the upper Midwest will reduce milk and cream supplies by next week. Milk receipts depend on whether or not the area has experienced a prolonged bout of hot weather or not. Some areas are showing a decline in intakes while others have changed little since peaking, holding up stronger than usually expected. Fat and protein tests are steady to generally slightly lower. Dry conditions have stressed crops in various areas though others have received timely rain. Crop conditions also vary with producers in extremely dry areas expecting yields to be hurt.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JULY 6 - 12	PREVIOUS YEAR
SLAUGHTER COWS	\$46.00-52.50	\$ 52.00- 60.00
REPLACEMENT HEIFER CALVES	\$300.00-650.00	\$400.00-580.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	JULY 6 - 12	PREVIOUS YEAR
SLAUGHTER COWS	\$ 48.00- 54.00	\$ 52.50- 61.00

W E S T

The August 2006 Class 1 prices in CALIFORNIA range from \$12.03 in the north to \$12.30 in the south. The statewide average Class 1 price based on production is \$12.06. The average is 34 cents lower than July 2006 (\$12.40) and \$3.83 less than August 2005 (\$15.89). CALIFORNIA milk production levels are trending seasonally lower overall. Fluid milk orders have been slow to rebound following the slow holiday period. In the South, milk output is about steady. Weather conditions have not been as stressful on the herds. In the Central Valley, hot temperatures have slowed the milk flow. Several plants are reporting milk intakes lower. In the North, the milk is about steady. ARIZONA weather conditions have remained hot and humid. Daytime temperatures are topping 110 degrees and nighttime temperatures are only cooling to around 90 degrees. Humidity levels also remain high. The result is that cows are not comfortable and milk output is declining. Total milk production has moved lower in response. Plants are running on reduced schedules, but are not reporting problems. Heavy rains in NEW MEXICO occurred early this week. The impact on milk producing regions was being assessed. The milk flow is trending lower seasonally, although total levels are above last year. Additional cows in the state are the biggest contributing factor. PACIFIC NORTHWEST milk production is moving slightly lower and off the likely seasonal peak. Conditions have been generally favorable for milk cows. Plants are operating well and have returned to normal schedules following the holiday. Poor quality hay from first and second cuttings remains a big concern for future milk output. The cost of dairy quality hay is expected to increase and utilizing lower quality hay will likely lower milk potential. Milk production is mainly steady in IDAHO and UTAH. Surplus milk is being offered to local plants as other processors and nearby handlers attempt to move milk. Plants are running on schedule and have room for additional milk. CREAM markets are slightly firmer with offerings tighter. The Grade AA butter price at the CME has been trading in a tight range, closing at \$1.1500 on Wednesday, July 12, up a 1/4 cent from a week earlier. There are fewer offerings of surplus cream when compared to recent weeks. Ice cream and other higher class products are utilizing additional cream volumes. Milk production is trending lower and the fat content on incoming milk is lighter. The butter churns are still actively churning, but often at lower levels than in recent weeks. Multiples are slightly higher and range 108 to 130, FOB, and vary on basing points and class usage.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are higher on a steady to firm market. Some increased production is noted in the Central region for the good interest. Supplies are generally in balance as increased demand is offsetting changes in production. Some buyers are more adequately able to satisfy their needs by purchasing loads out West. Despite limited supply availability in the Central region, CCC purchases occurred in the Central region for a total of 208,176 pounds. Brokers that are regularly being shorted loads from suppliers are frustrated that movement would be occurring into government programs. High heat supplies are limited for the mostly contractual demand.

EAST: NDM prices are steady to higher. The market tone is firm. Milk supplies are less burdensome, lightening milk volume movement into dryers. As a result, some dryers are able to free up some dryer time for increased high heat production. Trade is predominantly contractual. Some brokers report that they are being shorted on their contractual loads whereas end-users are generally satisfied. The NASS price series adjusted about a quarter cent higher compared to the week prior. Producers expect prices to continue to move higher throughout the hot summer months.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8000 - .9000 MOSTLY: .8425 - .8800

HIGHHEAT: .8775 - .9450

NONFAT DRY MILK - WEST

Low/medium heat nonfat dry milk prices are mixed in the West. The market tone is steady to firmer. Last week, for the second week in a row, there were no offerings of NDM to the price support program. This week, there have been some offerings from Western producers. Several producers have returned to their normal pricing structures following several months of discounting prices to keep product moving. Apparently, the trend has been for exporting to resume. There are more exports being made into Mexico and several other countries. These exports are clearing product and committing future production. Domestic buying interest is light to moderate. The variations are partially from buyers who have bought product recently, often ahead of recent price increases. Buyers still looking to fill in orders are having some difficulty locating current supplies. Drying schedules are lower following drops in milk receipts at processing plants. High heat prices are higher. The market tone is slightly firm. Most sales continue to be centered around contracts. Production is light seasonally, but should pick up as drying times become more available. Stocks are mostly light. From January to May 2006, FAS reports exports of NDM/SMP totaled 116,624 MT (257.1 million pounds), compared to 148,913 MT (328.3 million pounds) in the same period in 2005, a decline of 21.7%. During May 2006, exports totaled 66.8 million pounds.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8000 - .8350 MOSTLY: .8100 - .8325

HIGHHEAT: .8400 - .8800

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
July 7	\$.8168	11,956,144	2,546,916
June 30	\$.8084	15,507,970	4,198,455

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are higher on a firm market. Supplies are limited in the Central region, encouraging buyers to seek additional loads from coastal areas. Production is seasonally steady. Condensed buttermilk continues to move readily into ice cream facilities, diverting any excess volumes away from dryers. Significant increases in dry buttermilk volumes are not anticipated until fourth quarter.

F.O.B. CENTRAL: .7950 - .8600

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are higher and nominal. The market tone is firm. Supplies are limited for the good interest. Spot trade is light with some movement noted into the Central region to supplant volume shortages in the Midwest. Trade is anticipated to remain light throughout the summer. Production is seasonally lower as cream clears more readily into Class II plants instead of churns and the consequent lower volumes of condensed buttermilk move into Class II user facilities rather than dryers.

F.O.B. NORTHEAST: .7600 - .8200

DELVD SOUTHEAST: .7750 - .8400

DRY BUTTERMILK - WEST

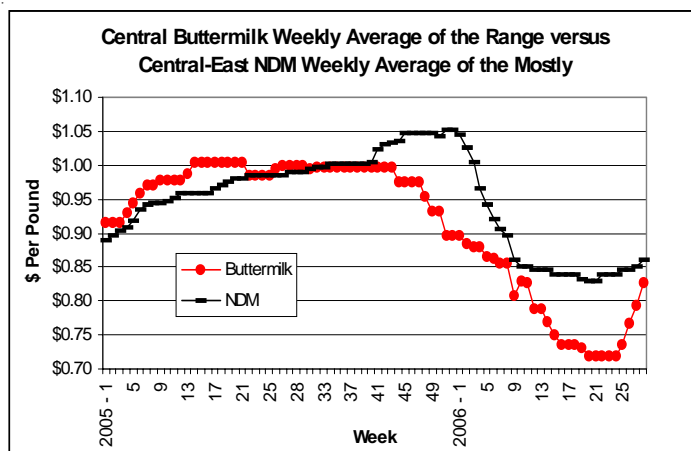
The dry buttermilk price series is moving higher and the market tone is firmer. The market sentiment is trending higher. The price trend has been moving upwards as inventories have been cleared in recent weeks, mostly into export channels. Also, with the prices moving higher, there have been fewer offerings of buttermilk from producers and resellers. Part of the trend can be attributed to the market psychology; that offerings will be held instead of offered, in hopes of higher future pricing. Stocks are mostly light and being held with confidence.

F.O.B. WEST: .6700 - .7900 MOSTLY: .6800 - .7500

DRY WHOLE MILK - NATIONAL

Whole milk prices are unchanged to lower. The market is steady with most spot interest reported near the low side of the range. Movement is mostly contractual with some import offerings noted. Production is steady and stocks are reportedly in balance.

F.O.B. PRODUCING PLANT: 1.1000 - 1.2000



WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY – CENTRAL

Prices are mostly unchanged on a steady market. Manufacturer list prices are noted at standard premiums yet trade is noted, particularly into brokerage firms, at prices near the average. Although buyers and sellers typically agree that the market has reached a bottom, differences in opinion as to how the market will trend in both the short-term and long-run are noted. Some producers are concerned over the impact of higher whey prices in the Class III formula. Others report that they are sold out or well-contracted. Offers during the week were noted by both manufacturers and resellers. Resale offers at 2 cents over the market are being met with resistance. Feed whey supplies are light. Some feed buyers are looking to buy whey as a cost attractive substitute to lactose. Condensed whey is reportedly available at some locations for the light interest.

F.O.B. CENTRAL: .2725 - .2950 MOSTLY: .2725 - .2775
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2600 - .2700

DRY WHEY - NORTHEAST AND SOUTHEAST

Whey prices are unchanged. The market tone is steady to firm. Offers are noted within the range. Some plants are reportedly sold out through the month of August. Some brokers are accumulating a few loads in anticipation of supply shortages later in the year. Supplies are reportedly more available in the East than in the Central region. Demand for whey is predominantly noted from ice cream operations. As milk production seasonally dwindles, production is anticipated to decline and prices are expected to rise.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2750 - .3000
DELVD SOUTHEAST: .2900 - .3300

DRY WHEY – WEST

Prices and the market tone for Western whey are fully steady. Supply and demand are in fairly good balance. Both export and domestic buyers are active in the market with plants generally having supplies in a timely basis. Stocks are light to moderate and available for current needs. Drying schedules have moved lower in many areas and reflect seasonal decline in milk production. Contacts have not reported any problems drying whey caused by the hot and humid conditions. Whey exports, according to FAS, for the first five months of the year total 199.5 million pounds, up 4.0% from the same period in 2005. The top five country destinations and the volumes shipped are as follows: China, 54.3 million pounds; Japan, 22.8 million pounds; Korea, 22.6 million pounds; Canada, 20.2 million pounds; and Thailand, 15.3 million pounds.

NONHYGROSCOPIC: .2750 - .3200 MOSTLY: .2800 - .3000

EVAPORATED MILK – NATIONAL

Prices are unchanged. The market tone is steady. Production of evaporated milk is reduced in response to seasonal declines in the milk supply. Demand is mostly contractual. Spot inquiry is light.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$21.20 - 36.00
Excluding promotional and other sales allowances. Included new price announcements.

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to higher on a steady to firm market. Although supplies of off grade 34% and 80% are readily available to the trade at reduced prices, Extra Grade quality 34% WPC supplies are reportedly in balance and moving well into domestic and export markets. Producers anticipate that increased trade of 80% WPC, particularly into Europe, will encourage firmer market trends. During January – May 2006, WPC 34% and 80% exports respectively increased 58.69% and 31.41% compared to the same period in 2005. Export quantities and percentage changes for the dominant 34% WPC markets include: Mexico 24,534,487 lbs (+97.14% or nearly the same amount shipped during the entire 2005 year), Canada 4,890,676 lbs (+39.15%), China 3,661,726 lbs (+6.65%), Japan 3,063,340 lbs (+38.35%), and Republic of Korea 2,988,844 lbs (+310.19%). Export quantities and percentage changes for the dominant 80% WPC markets include: Canada 2,532,616 lbs (+19.62%), Mexico 1,518,115 lbs (-11.09%), China 1,103,102 lbs (+105.12%), and Thailand 703,076 lbs (+3090.00% or about 65% more than the total quantity shipped during 2005).

F.O.B. EXTRA GRADE 34% PROTEIN: .5800 - .6100 MOSTLY: .5800 - .5900

LACTOSE - CENTRAL AND WEST

Prices are unchanged to higher on a firm market. Supplies are tight. Some manufacturers were unable to satisfy the contractual interests of buyers for the third quarter. As a result, buyers are seeking contract commitments for the fourth quarter. Producers are generally unwilling to commit to contracts that far in advance. Feed grade offers are noted within the mostly range. Feed buyers are finding whey and dry permeate as cost attractive substitutes to the current lactose market. During January – May 2006, lactose exports increased 45.28% compared to the same period in 2005. Export quantities and percentage changes for the dominant markets include: Mexico 37,929,518 lbs (+306.00% or about 61.98% more than the total quantity shipped during 2005), Japan 18,771,468 lbs (-20.61%), Vietnam 7,272,980 lbs (+56.45%), and Thailand 6,651,231 lbs (+132.98% or 75% of the total quantity shipped during 2005). During January – May 2006, exports exceeding 2,250,000 lbs are also noted into Australia, Brazil, China, Malaysia, and the Philippines.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2775 - .3900 MOSTLY: .3100 - .3500

CASEIN – NATIONAL

Casein markets and prices are generally unchanged. The supply situation is little changed from recent weeks. Oceania supplies continue to come from inventoried stocks while European supplies are coming from current production and inventoried stock. European casein production is declining as milk production is on the downside of the season. Producers and handlers indicate that overall casein volumes in Europe are lower. Domestic buyers indicate that they are getting their desired needs, although acid volumes are more limited versus rennet. Rennet demand is slow as analog cheese production is lower due to weak natural cheese prices.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.0000 - 3.1000
ACID: 3.0500 - 3.1500

EVAPORATED MILK – NATIONAL - see adjacent column

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JULY 10 - 14, 2006			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/05	SAME PERIOD LAST YEAR	WEEK ENDING 07/07/06	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	198,000	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	198,000	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	721,605	-0-	721,605	66,014,212	31,817,269	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	721,605	-0-	721,605	66,014,212	31,817,269	-0-	-0-

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JULY 10 - 14, 2006 =	0.2	8.4	COMPARABLE PERIOD IN 2005 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2005 =	16.4	770.4	CUMULATIVE SAME PERIOD LAST YEAR =	7.0	370.4
CUMULATIVE JANUARY 1 - JULY 14, 2006 =	16.4	770.4	COMPARABLE CALENDAR YEAR 2005 =	0.0	0.0

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF JULY 10 - 14, 2006 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	208,176	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	513,429	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/05 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
CENTRAL	-0-	-0-	198,000	-0-	2,056,719	1,331,567	14.0	4.2
WEST	-0-	-0-	-0-	-0-	61,553,017	29,415,099	82.8	92.4
EAST	-0-	-0-	-0-	-0-	2,404,476	1,070,603	3.2	3.4
TOTAL	-0-	-0-	198,000	-0-	66,014,212	31,817,269	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 06/24/06 & Comparable Week 2005

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2006-Dairy	N.A.	0.6	5.5	2.2	14.2	2.2	0.4	N.A.	13.8	1.4	41.2	1,104.9	41.1	44.8
2005-Dairy	N.A.	0.6	5.6	1.9	12.0	2.3	0.5	N.A.	10.7	2.0	36.4	1,116.7	42.6	47.5
2006-All cows	N.A.	0.6	6.5	11.4	26.7	19.4	12.8	N.A.	17.4	2.2	100.2	2,467.7		
2005-All cows	N.A.	0.6	6.8	10.6	24.0	13.1	10.3	N.A.	13.3	4.3	85.5	2,353.0		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14
2005	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60	14.30	14.35	13.35	13.37

FEDERAL MILK ORDER CLASS PRICES FOR 2006 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	13.38	13.38	12.49	11.22	10.97	10.75	11.34					
II	13.25	12.62	11.69	11.37	11.13	11.00						
III	13.39	12.20	11.11	10.93	10.83	11.29						
IV	12.20	11.10	10.68	10.36	10.33	10.22						

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfm05/mib/cls_prod_cmp_pr.htm

JULY MILK SUPPLY AND DEMAND ESTIMATES*

The milk production forecast for 2006 is raised slightly from last month, but the 2007 forecast is unchanged. Milk cow numbers and milk per cow forecasts for 2006 are raised fractionally. Higher forecast milk production and relatively large dairy product supplies are expected to pressure prices. Cheese, butter, and nonfat dry milk (NDM) price forecasts are reduced, but demand for whey remains strong. The Class III price forecast for 2006 is raised from last month as higher whey prices more than offset a slightly weaker cheese forecast. The Class IV price forecast is reduced slightly due to lower butter and NDM prices. The all milk price for 2006 is increased to \$12.50-\$12.80 per cwt. The forecasts for 2007 Class III prices are raised due to higher whey prices, but the Class IV and the all milk price forecasts for 2007 are unchanged.

U.S. MILK SUPPLY AND USE					
Commodity	2005	2006 Projected		2007 Projected	
		June	July	June	July
MILK		BILLION POUNDS			
PRODUCTION	177.0	181.9	182.1	183.1	183.1
FARM USE	1.1	1.1	1.1	1.0	1.0
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	7.2	8.0	8.0	8.2	8.2
MARKETINGS	175.9	180.8	181.0	182.1	182.1
IMPORTS	4.6	4.4	4.4	5.1	5.1
TOTAL COMMERCIAL SUPPLY	187.7	193.3	193.4	195.4	195.4
FAT BASIS USE					
ENDING COMMERCIAL STOCKS	8.0	8.2	8.2	7.9	7.9
CCC NET REMOVALS <u>1/</u>	-0.0	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	179.7	185.0	185.2	187.5	187.5
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	8.2	9.0	9.0	9.0	9.0
MARKETINGS	175.9	180.8	181.0	182.1	182.1
IMPORTS	4.5	4.7	4.7	5.7	5.7
TOTAL COMMERCIAL SUPPLY	188.6	194.5	194.6	196.8	196.8
SKIM-SOLIDS BASIS USE					
ENDING COMMERCIAL STOCKS	9.0	9.0	9.0	8.8	8.8
CCC NET REMOVALS <u>1/</u>	-1.0	1.3	1.2	2.3	2.3
COMMERCIAL USE <u>2/</u>	180.6	184.2	184.4	185.7	185.7
		MILLION POUNDS			
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	0	0	0	0	0
CHEESE	-2	0	0	0	0
NONFAT DRY MILK	-81	110	105	195	195
DRY WHOLE MILK	0	0	0	0	0

NOTE: Totals may not add due to rounding. 1/ Includes products exported under the Dairy Export Incentive Program. 2/ Includes commercial exports.

Continued on page 9

JULY MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES						
Commodity	2005	2006 Projected		2007 Projected		
		June	July	June	July	
PRODUCT PRICES <u>1/</u> CHEESE	DOLLARS PER POUND					
	1.4875	1.215-1.255	1.215-1.245	1.295-1.395	1.295-1.395	
	BUTTER	1.5405	1.155-1.225	1.155-1.215	1.215-1.345	1.215-1.345
	NONFAT DRY MILK	0.9409	0.840-0.880	0.840-0.870	0.815-0.885	0.815-0.885
DRY WHEY	0.2782	0.270-0.290	0.295-0.315	0.240-0.270	0.245-0.275	
MILK PRICES <u>2/</u> CLASS III	DOLLARS PER CWT					
	14.05	11.30-11.70	11.40-11.70	11.90-12.90	11.95-12.95	
	CLASS IV	12.87	10.45-10.95	10.45-10.85	10.45-11.55	10.45-11.55
	ALL MILK <u>3/</u>	15.14	12.40-12.80	12.50-12.80	12.85-13.85	12.85-13.85
MILK PRODUCTION	QUARTERLY					
	2006 II	2006 III <u>4/</u>	2006 IV <u>4/</u>	2007 I <u>4/</u>	2007 II <u>4/</u>	
	BILLION POUNDS					
	47.0	44.8	44.7	46.3	47.3	
ALL MILK PRICE <u>2/</u> <u>3/</u> CLASS III PRICE <u>2/</u> CLASS IV PRICE <u>2/</u>	DOLLARS PER CWT.					
	12.07	11.90-12.30	12.50-13.20	12.35-13.35	12.40-13.40	
	11.02	11.05-11.45	11.35-12.05	11.40-12.40	11.70-12.70	
	10.30	10.15-10.65	10.20-11.00	10.25-11.35	10.35-11.45	

1/ Simple average of monthly prices calculated by AMS from NASS weekly average dairy product prices for class price computations. Details may be found at http://www.ams.usda.gov/dyfm/mib/fedordprc_dscrp.htm. 2/ Annual and quarterly Class III and Class IV prices are the simple average of monthly minimum Federal order milk prices paid by regulated plants for milk used in the respective classes. All milk price is the simple average of monthly prices received by farmers for milk at average test. 3/ Does not reflect any deductions from producers as authorized by legislation. 4/ Projection.

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; Howard McDowell, AMS; Paul Kiendl, FAS; Roger Hoskin, ERS; and Milton Madison, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-436, World Agricultural Outlook Board, USDA, July 12, 2006.

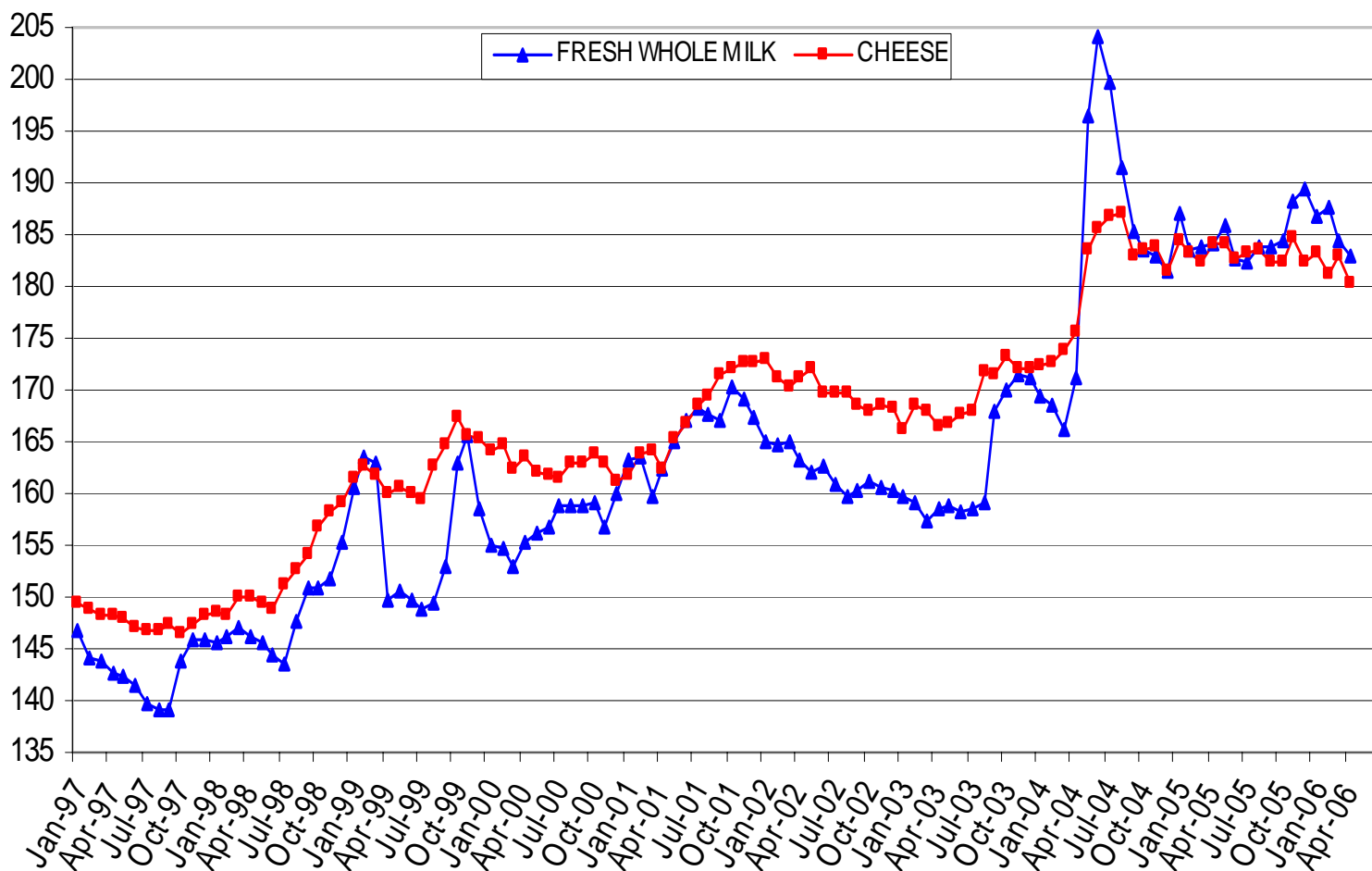
COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—FEBRUARY-APRIL AND YEAR-TO-DATE 2005-2006 1/

Item	Feb.-Apr. 2005	Percent change <u>2/</u>	Feb.-Apr. 2006	Percent change <u>2/</u>	Jan.-Apr. 2005	Percent change <u>2/</u>	Jan.-Apr. 2006	Percent change <u>2/</u>
	Million Pounds							
<u>MILK</u>								
Production	43,782	2.0	45,763	4.5	58,401	1.9	61,097	4.6
Marketings	43,513	2.0	45,500	4.6	58,038	1.9	60,742	4.7
Beginning Commercial Stocks <u>3/</u>	7,953	-19.6	9,054	13.8	7,154	-14.1	8,007	11.9
Imports <u>3/</u>	1,207	-10.1	967	-19.9	1,715	-4.5	1,436	-16.3
Total Supply <u>4/</u>	52,673	-2.3	55,521	5.4	66,907	-0.3	100,209	49.8
Ending Commercial Stocks <u>3/</u>	10,517	4.2	11,694	11.2	10,517	4.2	11,694	11.2
Net Removals <u>3/</u>	-26	-1,400.0	4	115.4	-31	131.6	4	112.9
Commercial Disappearance <u>4/</u>	42,182	-3.7	43,823	3.9	56,421	-1.2	58,487	3.7
<u>SELECTED PRODUCTS 5/</u>								
Butter	275.0	-14.2	321.9	17.1	373.3	-6.7	419.2	12.3
American Cheese	896.4	-6.1	954.8	6.5	1,223.0	-2.5	1,293.0	5.7
Other Cheese	1,408.3	0.9	1,395.0	-0.9	1,864.7	1.8	1,872.4	0.4
Nonfat Dry Milk	322.7	-16.9	315.5	-2.2	443.1	-1.2	422.8	-4.6
Fluid Milk Products <u>6/</u>	13,488.1	0.1	13,514.2	0.2	18,213.2	-0.5	18,267.8	0.3

1/ Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. 2/ From year earlier on a daily average basis. 3/ Milk-equivalent, milkfat basis. 4/ Totals may not add because of rounding. 5/ Commercial disappearance in product pounds. 6/ Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. **SOURCE:** Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA.

1982-1984=100

CONSUMER PRICE INDEX



Source: US Dept of Labor, BLS, Graph: DMN

MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, APRIL 2006

In April 2006, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$11.92 per cwt., \$.72 less than the figure for the previous month. The component tests of producer milk in April 2006 were: butterfat, 3.68%; protein, 3.02%; and other solids, 5.72%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas, and ranged from \$14.81 in Florida to \$10.10 in New Mexico. In April 2005, the Federal milk order all-area average mailbox price was \$14.97, \$3.05 higher.

Reporting Area	Mailbox Milk Price <u>2/</u>		
	April 2005	March 2006	April 2006
	Dollars per hundredweight		
New England States <u>3/</u>	15.52	13.58	12.64
New York	15.08	13.14	12.21
Eastern Pennsylvania <u>4/</u>	15.31	13.47	12.54
Appalachian States <u>5/</u>	14.97	13.55	12.38
Southeast States <u>6/</u>	15.25	14.13	13.20
Southern Missouri <u>7/</u>	14.25	12.43	11.45
Florida	16.72	15.56	14.81
Western Pennsylvania <u>8/</u>	14.98	13.09	12.27
Ohio	15.08	12.95	12.16
Indiana	15.06	13.01	11.97
Michigan	14.64	12.60	11.78
Wisconsin	15.68	12.63	12.12
Minnesota	15.41	12.14	11.76
Iowa	15.23	12.52	11.85
Illinois	15.28	12.60	11.76
Corn Belt States <u>9/</u>	14.16	11.82	11.41
Western Texas <u>10/</u>	13.90	11.47	10.75
New Mexico	13.11	10.67	10.10
Northwest States <u>11/</u>	13.89	12.00	11.46
All Federal Order Areas <u>12/</u>	14.97	12.64	11.92
California <u>13/</u>	14.11	11.05	10.64

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. As applicable, includes milk not-pooled due to disadvantageous intra-order price relationships. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. Mailbox price does include, for the most part, the \$0.05 per cwt. assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont. 4/ All the counties to the east of those listed in 8/. 5/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 6/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 7/ The counties of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry and all those to the south of these. 8/ The counties of Warren, Elk, Clearfield, Indiana, Westmoreland, and Fayette, and all those to the west of these. 9/ Includes Kansas, Nebraska and the Missouri counties to the north of those listed in 7/. 10/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 11/ Includes Oregon and Washington. 12/ Weighted average of the information for all selected reporting areas in Federal milk orders. Previous year figures have not been revised for new reporting areas. 13/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

MAY FLUID MILK SALES

During May, about 4.7 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 4.2 percent higher than May 2005. After adjusting for calendar composition, sales in May 2006 were 2.1 percent higher than May 2005. On an individual product basis, after adjusting for calendar composition, sales of reduced fat (2%) milk, low fat milk (1%), fat-free (skim) milk, flavored fat-reduced milk, and buttermilk increased from May 2005, while sales of whole milk and flavored whole milk decreased from a year earlier. Sales data for organic milk are now being provided.

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/dyfmoms/mib/fluidsales.htm>.

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
MAY 2006, WITH COMPARISONS 1/

Product Name	Sales		Change from: 2/	
	May	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,390	6,852	0.3	-2.3
Flavored Whole Milk	61	294	-0.5	-5.6
Organic Whole Milk 3/	22	96	---	---
Reduced Fat Milk (2%)	1,501	7,353	6.7	3.3
Low Fat Milk (1%)	546	2,673	6.8	2.8
Fat-Free Milk (Skim)	683	3,343	5.4	2.5
Flavored Fat-Reduced Milk	349	1,726	4.5	0.9
Organic Fat-Reduced Milk 3/	73	316	---	---
Buttermilk	44	215	2.4	0.2
Total Fluid Milk Products 4/	4,685	22,953	4.2	1.1
Total Fluid Milk Products Adjusted 4/ 5/	4,641	23,021	2.1	1.2

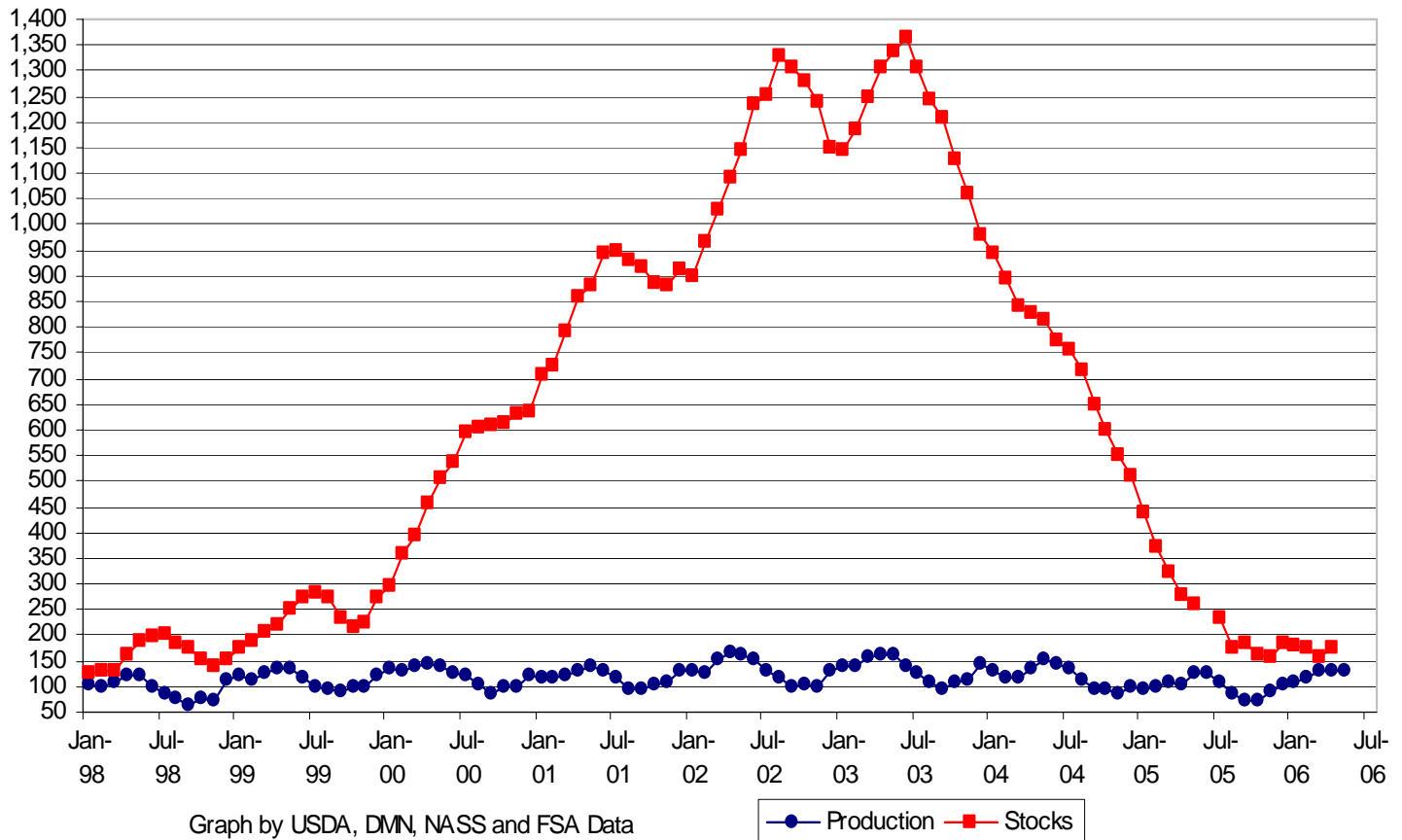
1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see 5/. Organic milk is included with conventional milk in calculating percentage changes; see 3/. 3/ Data are not available for previous year. 4/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 5/ Sales volumes and percent changes have been adjusted for calendar composition; see http://www.ams.usda.gov/dyfmoms/mib/clndr_comp_rpt.pdf

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, MAY 2006, WITH COMPARISONS 1/

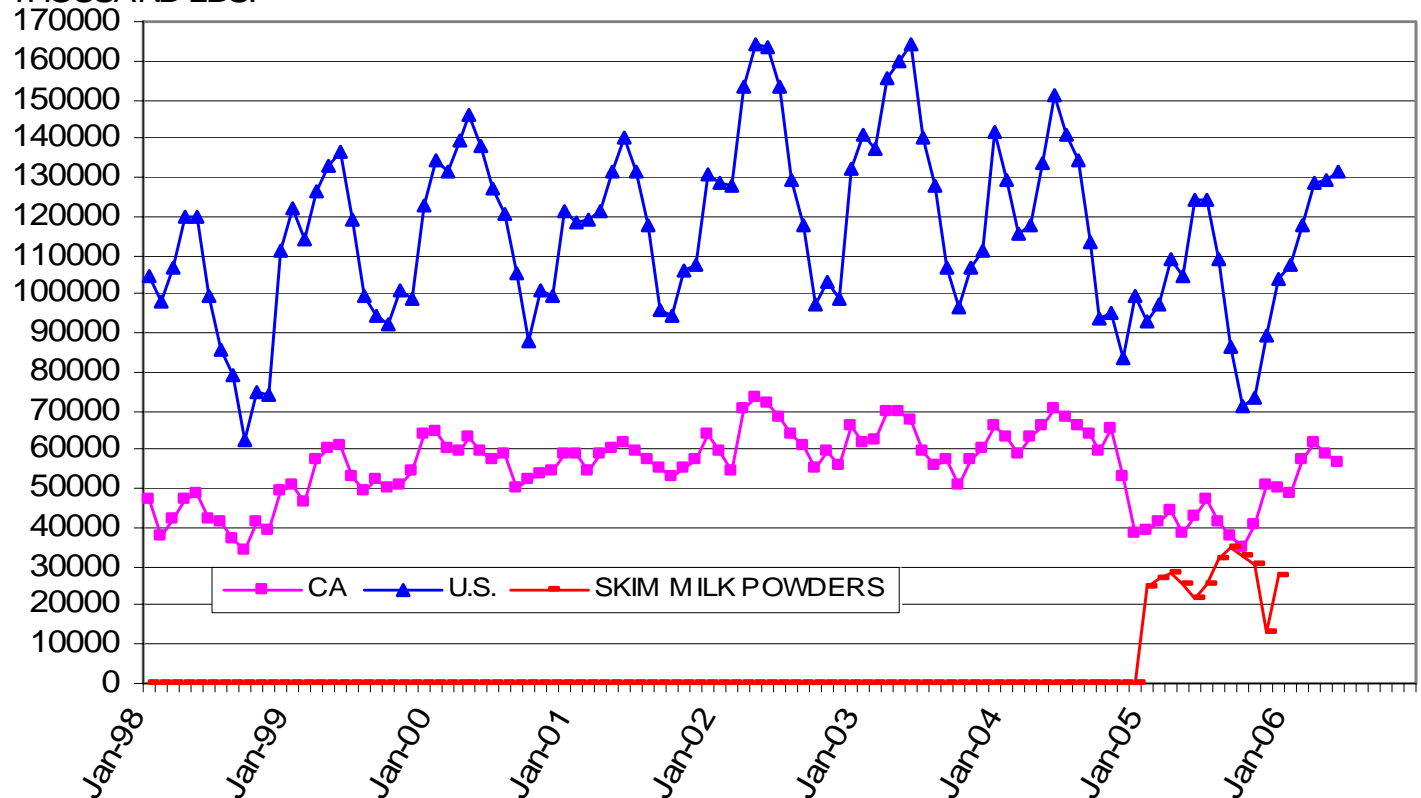
Area (Order Number)	Sales		Change from: 2/	
	May	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	816	3,940	2.4	-0.5
Appalachian (005)	306	1,509	3/	3/
Southeast (007)	409	2,068	3.8	2.7
Florida (006)	240	1,240	-1.1	-2.0
Mideast (033)	531	2,608	3.2	-0.1
Upper Midwest (030)	383	1,860	4.0	0.7
Central (032)	393	1,964	4.5	2.1
Southwest (126)	395	1,854	4/	4/
Arizona-Las Vegas (131)	103	539	5/	5/
Pacific Northwest (124)	185	901	3.5	1.5
California (---)	549	2,688	2.8	0.9

1/ These figures are representative of the consumption of total fluid milk products in the respective area; see 3/ above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis; see 2/ above. 3/ Percent changes for this market are not comparable due to an expansion in the marketing area. 4/ Percent changes for this market are not comparable due to reporting revisions. 5/ Percent changes for this market are not comparable. Effective May 1, 2006, Clark County, Nevada was removed from the marketing area.

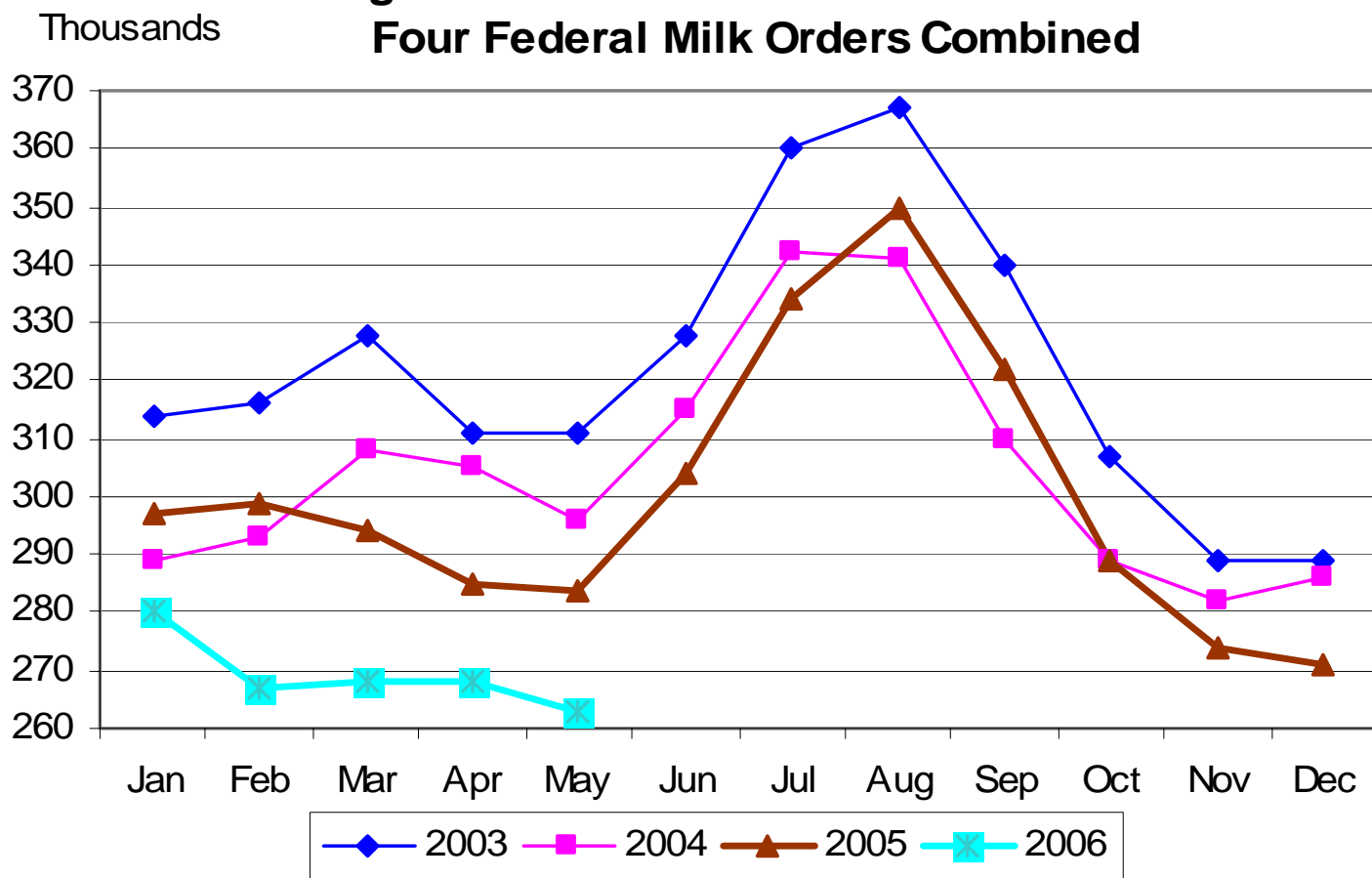
SOURCE: Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

NDM PRODUCTION VS. COLD STORAGE HOLDINGS - Million Pounds**MONTHLY NDM AND SKIM POWDER PRODUCTION**

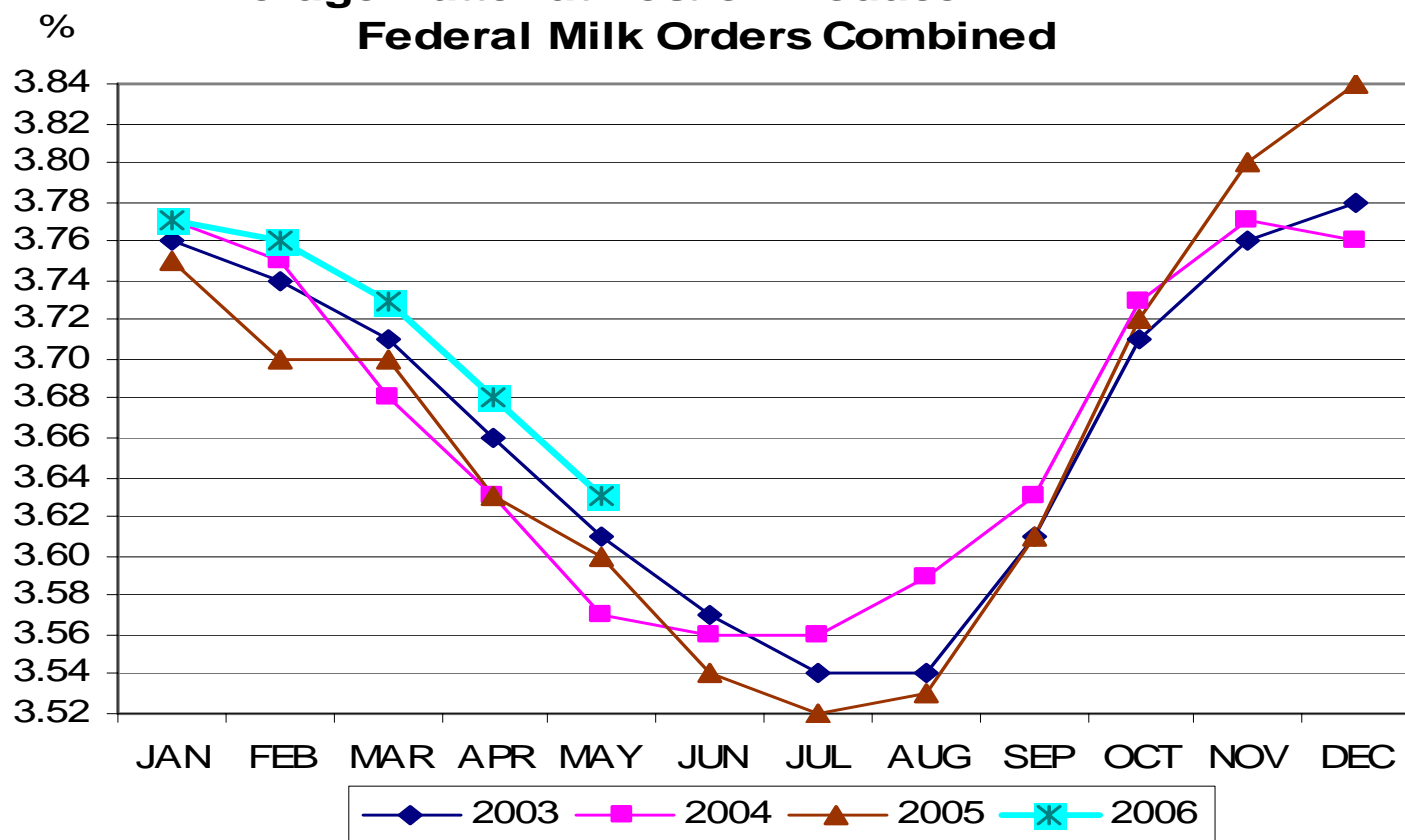
THOUSAND LBS.



Average Somatic Cell Count of Producer Milk in Four Federal Milk Orders Combined



Average Butterfat Test of Producer Milk in All Federal Milk Orders Combined



DAIRY MARKET NEWS

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